

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer The Palms at Wailea Venture II  
Address 841 Bishop Street, Suite 2300, Honolulu, HI 96813

Project Name(\*): THE PALMS AT WALLEA-PHASE 2  
Address: 3150 Wailea Alanui Drive, Wailea, Maui, Hawaii

Registration No. 2454

Effective date: January 24, 1995

Expiration date: February 24, 1996

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

_____	<b>PRELIMINARY:</b> (yellow)	The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued when complete information is filed.
_____	<b>FINAL:</b> (white)	The developer has legally created a condominium and has filed complete information with the Commission.
		[ ] No prior reports have been issued
		[ ] Supersedes all prior public reports
		[ ] Must be read together with _____
<u>  X  </u>	<b>SUPPLEMENTARY:</b> (pink)	Updates information contained in the
		[ ] Prelim. Public Report dated _____
		[ X ] Final Public Report dated <u>October 8, 1991</u>
		[ ] Supp. Public Report dated _____
		And [ X ] Supersedes all prior public reports
		[ ] Must be read together with _____
		[ ] This report reactivates the _____ public report(s) which expired on _____

(\*) Exactly as named in the Declaration

**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

[ X ] Required [ ] Not Required - disclosures covered in this report.  
as shown in Exhibit "M"

**Summary of Changes from Earlier Public Reports:**

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

[ ] No prior reports have been issued by the Commission.

[ X ] Changes made are as follows:

Since the issuance of the Final Public Report, the Project has been completed.

There was a typographical error in Exhibit A, whereas Unit 2505 was repeated twice. A new Exhibit "A" is attached hereto.

An updated Exhibit "1" (Estimated Operating Expenses) to Exhibit M is attached hereto.

Exhibit H to the Final Public Report which covers the construction warranties has been deleted since all warranties for the Project have expired. Instead, the Exhibit "H" attached hereto summarizes problems regarding interior plaster cracks that the Project is experiencing.

As of the date hereof, twenty-three (23) apartments have been sold and thirty-five (35) apartments are being rented on a long term basis, but are being offered for sale.

The Blanket Mortgage referred to in Exhibit E of the Public Report is presently in default. Reference is made to disclosure at Page 20 of this Public Report.

The Lenders' consent to a Sales Contract is required if the prices and terms of sale are not as previously agreed to by the Lenders. If the Lenders do not approve a Sales Contract (if such consent is required), then either the Buyer or the Developer may terminate the Sales Contract and Escrow will be instructed to return to Buyer all of the Buyer's deposits previously made.

## TABLE OF CONTENTS

	page
Preparation of this Report	1
Expiration Date of Reports	1
Type of Report	1
Disclosure Abstract	2
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Condominiums	4
Operation of the Condominium Project	4
 I. PEOPLE CONNECTED WITH THE PROJECT	 6
Developer                      Attorney for Developer    General Contractor	
Real Estate Broker    Escrow Company                      Condominium Managing Agent	
 II.      CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
A.      Declaration	6
B.      Condominium Map (File Plan)	6
C.      Bylaws	6
D.      House Rules	7
E.      Changes to Condominium Documents	7
 III.     THE CONDOMINIUM PROJECT	
A.      Interest to be Conveyed to Buyer	8
B.      Underlying Land	9
C.      Buildings and Other Improvements	10
D.      Common Elements, Limited Common Elements, Common Interest	13
E.      Encumbrances Against Title	14
F.      Construction Warranties	15
G.      Status of Construction	16
H.      Project Phases	16
 IV.     CONDOMINIUM MANAGEMENT	
A.      Management of the Common Elements	17
B.      Estimate of Initial Maintenance Fees	17
C.      Utility Charges for Apartments	17
 V.      MISCELLANEOUS	
A.      Sales Documents Filed with the Real Estate Commission	18
B.      Buyer's Right to Cancel Sales Contract	18
C.      Additional Information Not Covered Above	20
D.      Signature of Developer	21
 <b>EXHIBIT A:</b> Description of Apartments	
<b>EXHIBIT B:</b> Description of Buildings	
<b>EXHIBIT C:</b> Boundaries of Each Apartment	
<b>EXHIBIT D:</b> Permitted Alterations of Apartments	
<b>EXHIBIT E:</b> Common Elements	
<b>EXHIBIT F:</b> Percentage Common Interest Appurtenant to Apartments in Project	
<b>EXHIBIT G:</b> Encumbrances Against Title	
<b>EXHIBIT H:</b> Disclosure on Plaster Cracking Problem	
<b>EXHIBIT I:</b> Summary of Developer's Plans for Future Development	
<b>EXHIBIT J:</b> Summary of the Sales Condominium Reservation Agreement	
<b>EXHIBIT K:</b> Summary of the Material Provisions of the Escrow Agreement	
<b>EXHIBIT L:</b> Wailea Restriction Covenants	
<b>EXHIBIT M:</b> Disclosure Abstract	
<b>EXHIBIT N:</b> Certification of Long-Term Residential Use	

## General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

## Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: The Palms at Wailea Venture II  
Name  
841 Bishop Street, Suite 2300  
Business Address  
Honolulu, Hawaii 96813

Phone: 539-9600  
(Business)

Names of officers or general partners of developers who are corporations or partnerships:

General Partner: The Beam Palms II Venture, a Hawaii general partnership of McCormack  
Palms II, Ltd., a Hawaii corporation (Michael T. McCormack - President) and Bradley  
Palms II, Ltd., a Hawaii corporation (Richard J. Bradley - President)

Real Estate Broker: McCormack Real Estate, Inc. dba  
Coldwell Banker McCormack Real Estate  
Name (Hawaii and U.S.)  
841 Bishop Street, Suite 2300  
Business Address  
Honolulu, Hawaii 96813

Phone: (808) 539-9600  
(Business)

-AND-

ITOCHU CORPORATION  
5-1, Kita-Aoyama 2-chome  
Minato-ku, Tokyo, Japan

Note: Itochu Corporation is not a licensed real  
estate broker in the State of Hawaii and  
is prohibited from engaging in real activities  
in this State until it is duly licensed.

Escrow: Title Guaranty Escrow Services, Inc.  
Name  
235 Queen Street  
Business Address  
Honolulu, Hawaii 96813

Phone: (808) 521-0211  
(Business)

General Contractor: N/A  
Name  
Business Address

Phone: \_\_\_\_\_  
(Business)

Condominium Managing Agent: Hawaiiana Management Company  
Name  
1270 Ala Moana Boulevard  
Business Address  
Honolulu, Hawaii

Phone: (808) 523-7785  
(Business)

Attorney for Developer: Jeffrey S. Grad  
Name  
841 Bishop Street, Suite 2001  
Business Address  
Honolulu, Hawaii 96813

Phone: (808) 521-4757  
(Business)

**CREATION OF THE CONDOMINIUM;  
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. Declaration of Condominium Property Regime contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

☐ Proposed  
☐ Recorded - Bureau of Conveyances - Document No. \_\_\_\_\_  
Book \_\_\_\_\_ Page \_\_\_\_\_  
☒ Filed - Land Court - Document No. 185194

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

Amendment No. 1 dated May 22, 1991, recorded as Document No. 1826377

Amendment No. 2 dated November 7, 1991, recorded as Document No. 1864388

Amendment No. 3 dated February 4, 1994, recorded as Document No. 2121264

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

☐ Proposed  
☐ Recorded - Bureau of Conveyances Condo Map No. \_\_\_\_\_  
☒ Filed - Land Court Condo Map No. 841

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. Bylaws of the Association of Apartment Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

☐ Proposed  
☐ Recorded - Bureau of Conveyances - Document No. \_\_\_\_\_  
☒ Filed - Land Court Condo Map No. 1815195

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

- \*D. **House Rules.** The Board of Directors may adopt house rules govern the use and operation of the common elements and individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

[ ] Proposed [ X ] Adopted [ ] Developer does not plan to adopt house rules.

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75% *	<u>75%</u>
Bylaws	65%	<u>65%, except when a higher percentage is required in specific provisions of Bylaws</u>
House Rules	--	<u>Majority of Board of Directors</u>

- \* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer:**

- [ ] No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- [ x ] Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules.

The Developer may amend the Declaration, Bylaws and Condominium Map at any time to effect the changes provided in Section 22 of the Declaration, including the right to merge Phases 1 and 3 into the Project, as described in Exhibit "I". Although Developer has reserved these rights, the Developer does not intend to exercise this right.

**I. THE CONDOMINIUM PROJECT**

**A. Interest to be Conveyed to Buyer:**

- ☒ **Fee Simple:** Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- ☐ **Leasehold or Subleasehold:** Individual apartments and the common elements, which includes the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit \_\_\_\_\_ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: \_\_\_\_\_  
Rent Renegotiation Date(s): \_\_\_\_\_

Lease Rent Payable: ☐ Monthly ☐ Quarterly  
☐ Semi-Annually ☐ Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per ☐ Month ☐ Year.

**For Subleaseholds:**

- ☐ Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is ☐ Canceled ☐ Foreclosed
- ☐ As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.
- ☐ **Individual Apartment in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:**

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit \_\_\_\_\_ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: \_\_\_\_\_  
Rent Renegotiation Date(s): \_\_\_\_\_

Lease Rent Payable: ☐ Monthly ☐ Quarterly  
☐ Semi-Annually ☐ Annually

Exhibit \_\_\_\_\_ contains a schedule of the lease rent for each apartment per ☐ Month ☐ Year.



[ ] Other:

**IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS**

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

**B. Underlying Land:**

Address: 3150 Wailea Alanui Drive Tax Map Key: (2) 2-1-8-83  
Wailea, Maui, Hawaii (TMK)

[ ] Address [ ] TMK is expected to change because \_\_\_\_\_

Land Area: 14.5 [ ] square feet [ X ] acre(s) Zoning: A-1

Lessor

(Fee Owner): The Palms at Wailea Venture II  
Name

841 Bishop Street, Suite 2300  
Address

Honolulu, Hawaii 96813

Sublessor: \_\_\_\_\_  
Name

\_\_\_\_\_  
Address

**C. Buildings and Other Improvements:**

1. ☒ New Building(s) at time of original registration  
☐ Conversion of Existing Building(s)  
☐ Both New Building(s) and Conversion

2. Number of Buildings: 15 Residential Floors Per Building 2  
1 Recreation/Maintenance Building

☒ Exhibit B contains further explanations.

3. Principal Construction Material:

☒ Concrete ☒ Hollow Tile ☐ Wood

☒ Other tile roofs, exterior synthetic plaster finish, wood framed  
windows, glass, steel and aluminum

**4. Permitted Uses by Zoning:**

	No. of Apts.	Use Permitted By Zoning	No. of Apts.	Use Determined By Zoning
<input checked="" type="checkbox"/> Residential	<u>120</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

☒ Yes ☐ No

5. Special Use Restrictions:

The Declaration, Bylaws, and House Rules may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

- [ X ] Pets: not allowed except for guide dogs, signal dogs or animals assisting handicapped people
- [ X ] Number of Occupants: Two (2) per bedroom, except for immediate family members; Four (4) per bedroom maximum
- [ X ] Other: No Time Share Units as defined in Chapter 514E, HRS, are permitted. Residential uses in accordance with county zoning ordinances and rules.
- [ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators None      Stairways Various      Trash Chutes None

<u>Apt.</u> <u>Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net</u> <u>Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
----------------------------	-----------------	----------------	--	-------------------------

SEE EXHIBIT "A" ATTACHED

_____	_____	_____	_____	_____
Thirteen (13) types of residential one and two bedroom units with one or two bathrooms, all with lanais				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Total Apartments: 120

\*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See attached Exhibit "C"

Permitted Alterations to Apartments:

See attached Exhibit "D"

7. Parking Stalls:

Total Parking Stalls: 240

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>TOTAL</u>
Assigned (for each units)	<u>          </u>	<u>78</u>	<u>          </u>	<u>42</u>	<u>          </u>	<u>          </u>	<u>120</u>
Guest Unassigned	<u>          </u>	<u>102</u>	<u>          </u>	<u>18</u>	<u>          </u>	<u>          </u>	<u>120</u>
Extra for Purchase	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Other:	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Covered & Open	<u>180</u>		<u>60</u>				

Each apartment will have the exclusive use of at least -0- parking stall(s).  
Buyers are encouraged to find out which stall(s) will be available for their use.

[ ] Commercial parking garage permitted in condominium project.

[ ] Exhibit            contains additional information on parking stalls for this  
condominium project.

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

[ X ] Swimming pool [ ] Storage Area [ ] Recreation Area

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute

[ X ] Other: jacuzzi, Recreation/Maintenance Building, putting green, two ponds; and  
Leased Telephone System

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

[X] There are no violations. [ ] Violations will not be cured.

[ ] Violations and cost to cure [ ] Violations will be cured by                                   
are listed below.

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical  
Installations

(For conversions of residential apartments in existence for at least five years):

N/A

11. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>  X  </u>	<u>          </u>	<u>          </u>
Structures	<u>  X  </u>	<u>          </u>	<u>          </u>
Lot	<u>  X  </u>	<u>          </u>	<u>          </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

☒ described in Exhibit     E    .

☐ as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

[ ] There are no limited common elements in this project.

[ x ] The limited common elements and the apartments which use them, as described in the Declaration, are:

[ ] described in Exhibit \_\_\_\_\_

[ X ] as follows:

Certain parts of the common elements, herein called and designated limited common elements, are hereby set aside and reserved for the exclusive use of certain apartments and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are as follows:

(1) Any entrance, exit, gateway, entry, patio, yard, driveway or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.

(2) Each of the one hundred twenty (120) regular-size uncovered parking stalls designated on the Condominium Map by the same numbers as those of each apartment shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment having the same number.

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

[ X ] described in Exhibit \_\_\_\_\_ F \_\_\_\_\_.

[ ] as follows:

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit \_\_\_\_\_ G \_\_\_\_\_ describes the encumbrances against the title contained in the title report dated December 2, 1994 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[ ] There are no blanket liens affecting title to the individual apartments.

[ x ] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The Buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

Type of Lien

Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance

Mortgage dated October 23, 1989,  
filed as Document No. 1684382

If the Developer defaults after the apartment is conveyed to Buyer, the Buyer's interest will not be affected.

At the date of this report, the Mortgage is in default. If the Mortgagee allows a sale of an apartment to close, the apartment will be released from the Mortgage. If the Mortgagee does not consent to a sale or does not allow a sale of an apartment to close, the Buyer's deposit will be refunded in full.

(SEE ADDITIONAL INFORMATION ON PAGE 20)

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

All warranties have expired.

2. Appliances:

A description of warranties on the appliances to be installed in each apartment is presently unavailable inasmuch as the purchase contracts therefor have not been executed by the Developer. The Developer will attempt to assign to buyers the unexpired term, if any, of any manufacturer's or dealer's warranties covering any fixtures or appliances in the apartment. By such assignment, the Developer will be merely passing through to buyers any such manufacturer's or dealer's warranties or acting as co-warrantor. Purchaser acknowledges and agrees that the DEVELOPER IS NOT ADOPTING ANY SUCH CONTRACTOR'S, MANUFACTURER'S OR DEALER'S WARRANTIES, OR ACTING AS CO-WARRANTOR, BUT IS MERELY ATTEMPTING TO PASS THROUGH TO PURCHASER THE BENEFIT OF ANY SUCH WARRANTIES.

G. Status of Construction and Estimated Completion Date:

Construction of the Project completed in December, 1992.  
See Exhibit "H" hereto relating to plaster cracking problem.

H. Project Phases:

The developer [ X ] has [ ] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right for future development (such as additions, mergers or phasing):

See attached Exhibit "I"

Although the Developer has reserved the right to add to, merge or phase this condominium, the Developer does not intend to exercise this right.



#### IV. CONDOMINIUM MANAGEMENT

- A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

- ☒ not affiliated with the Developer  
☐ the developer or the Developer's affiliate  
☐ self-managed by the Association of Apartment Owners  
☐ other \_\_\_\_\_

B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit M contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

See attached Disclosure Abstract (Exhibit M)

C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

- ☐ None      ☐ Electricity      ☐ Gas    ☒ Water  
☒ Sewer      ☒ Television Cable    ☒ Other electricity for  
the common areas, refuse  
collection and leased telephone system \*

\* **Leased Telephone System.** On November 21, 1991, the Developer entered into a Master Lease Agreement with GECC Financial for the telephone system in the Project. The lease period is sixty (60) months. The monthly lease payment is approximately \$1,670. A portion of the actual equipment is located in the clubhouse building at The Palms at Wailea Phase 1, which adjoins the Project. The actual wiring is single pair wiring allowing one phone per apartment.

When the Association of Apartment Owners takes over the responsibility of operating the development, at that time the Developer will assign the lease to the Association, which will be financially responsible for the obligations under the lease.

At the expiration of the lease period, it is anticipated that the Association may negotiate the lease, or purchase the leased equipment.

## V. MISCELLANEOUS

### A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

[ X ] Notice to Owner Occupants

[ X ] Specimen Sales Contract

Exhibit J contains a summary of the pertinent provisions of the sales contract.

[ X ] Escrow Agreement dated April 3, 1991

Exhibit G contains a summary of the pertinent provisions of the escrow agreement.

[ X ] Other Exhibit L - Wailea Restriction Covenant

### B. Buyer's Right to Cancel Sales Contract:

#### 1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the Developer may be binding on the developer unless the Developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

A) The Developer delivers to the buyer a copy of:

- 1) Either the Final Public Report OR the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;

AND

- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); AND

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the condominium which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; AND
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the Developer which have been given an effective date by the Hawaii Real Estate Commission.
  - B) Declaration of Condominium Property Regime, as amended.
  - C) Bylaws of the Association of Apartment Owners.
  - D) House Rules.
  - E) Condominium Map.
  - F) Escrow Agreement.
  - G) Hawaii's Condominium Law (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission, as amended).
  - H) Other \_\_\_\_\_

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107) are available at the Cashier's Office, Department of Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541 Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 2454 filed with the Real Estate Commission on March 12, 1990.

Reproduction of Report. When reproduced, this report must be on:

[ ] yellow paper stock      [ ] white paper stock      [ X ] pink paper stock

SPECIAL NOTATION

The County of Maui has completed improvements to expand the capacity of the Kihei Sewage Treatment Plant by at least 1.2 million gallons per day. The County of Maui has also enacted Ordinance 1787 which sets aside 1.2 million gallons per day of capacity in the Kihei Sewage Treatment Plant for "long term residential use". The Project has connected into the Kihei System on the basis that the Project will be used by Apartment Owners for "long term residential" use. Thus, the parties acknowledge the importance of restricting use of the Apartment for long term use.

The Palms at Wailea-Phase 2 ("Project") is subject to a \$30 million blanket mortgage ("Mortgage") referred to in Exhibit E of this Public Report. The Mortgage is currently in default. In the past, the Lenders have agreed, subject to certain conditions, to allow sales to continue, to give partial releases from the Mortgage and to permit the Developer to retain a portion of the sales proceeds. However, the Lenders' consent to each Sales Contract is required if the prices and terms of sale are not as previously agreed to by the Lenders. If the Lenders do not approve a Sales Contract (if such consent is required), then either the Buyer or the Developer may terminate the Sales Contract and Escrow will be instructed to return to Buyer all of the Buyer's deposits previously made.

If the Lenders allow a sale to close, the apartment will be released from the Mortgage. If the Lenders do not approve a Sales Contract (if such consent is required) then either the Buyer or the Developer may terminate the Sales Contract and Escrow will be instructed to return to Buyer all of the Buyer's deposits previously made.

The Developer expects to enter into a "Third Sales Proceeds Agreement" with the Lenders and that agreement will be effective October 1, 1994. Among other things, the Agreement provides that Developer ("Borrower") be permitted to use a portion of the "Sales Proceeds" from the sale of Project apartments which close from and after October 1, 1994 for the sole purposes of (i) making certain payments to the Lenders, and (ii) paying for certain operating costs of the Project, so as to (a) preserve, maintain and enhance the value of the Project, and (b) continue the sales of Project apartments to generate sufficient funds to repay fully all of Borrower's obligations under the Mortgage. The Agreement also provides for delivery by the Lenders of partial releases of apartments as they are sold so long as sales prices and terms are made in accordance with the Agreement.

Under Chapter 514A-15(b), Hawaii Revised Statutes, the Developer will have the obligation to pay for either all of the operating costs of the Project or for the common expenses allocable to those apartments in the Project which remain unsold. The Developer's sources of funds to pay common expenses and debt service are from rents collected from leases on certain unsold apartments and from a portion of the sales proceeds (see discussion of Third Sales Proceeds Agreement). The Developer does not have any commitment from a lender or any other person to provide additional funding for these expenses.

As a prospective purchaser of an apartment, Buyer should realize that the failure by the Developer to fund the common expenses or pay debt service (unless it enters into a suitable work-out arrangement with its Lenders) could adversely affect the Developer and the operation and value of the Project, including the apartment being purchased.

3. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

THE PALMS AT WAILEA VENTURE II

Name of Developer

By

*M. T. McCormack*  
Duly Authorized Signatory

Date

12/5/94

MICHAEL T. MCCORMACK, PRESIDENT

print name & title of person signing above

Distribution:

Department of Finance, County of Maui  
Planning Department, County of Maui  
Federal Housing Administration



Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "A"

DESCRIPTION OF APARTMENTS

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (exclusive of lanai)</u>	<u>Lanai/Patio</u>
A-1	4	1/2	1022 sq.ft.	473 sq.ft.
AA-1	6	1/2	1032 sq.ft.	473 sq.ft.
A-2	4	1/2	1022 sq.ft.	289 sq.ft.
AA-2	6	1/2	1032 sq.ft.	289 sq.ft.
B-1	20	2/2	1194 sq.ft.	473 sq.ft.
B-2	23	2/2	1194 sq.ft.	289 sq.ft.
C-1	7	2/2	1242 sq.ft.	352 sq.ft.
C-2	7	2/2	1299 sq.ft.	219 sq.ft.
D-1	15	2/3	1559 sq.ft.	430 sq.ft.
D-2	15	2/3	1559 sq.ft.	314 sq.ft.
E-1	5	2/3	1692 sq.ft.	614 sq.ft.
E-2	5	2/3	1699 sq.ft.	479 sq.ft.
H-1	3	2/2	1194 sq.ft.	473 sq.ft.

NOTE: Square footages may vary slightly for A, B, C, D, E and H type floor plans to accommodate the various building type configurations on the site.  
Square footages may vary in actual construction plans.

There are thirteen (13) different types of floor plans for the apartments in the Project, designated as Plans A-1, AA-1, A-2, AA-2, B-1, B-2, C-1, C-2, D-1, D-2, E-1, E-2 and H-1. Each apartment in the Project has the following type of floor plan.

<u>Unit No.</u>	<u>Plan</u>
2601, 2701, 3007, 3301	A-1
2401, 2501, 3501, 3607, 3707, 3807	AA-1
2602, 2702, 3008, 3302	A-2
2402, 2502, 3502, 3608 3708, 3808	AA-2
2403, 2405, 2407, 2503, 2507, 2603, 2605, 2607, 2703, 2705, 2707, 3003, 3005, 3303, 3503, 3507, 3605, 3705, 3801, 3805	B-1

<u>Unit No.</u>	<u>Plan</u>
2404, 2406, 2408, 2504, 2508, 2604, 2606, 2608, 2704, 2706, 2708, 3004, 3006, 3304, 3306, 3504, 3508, 3604, 3606, 3704, 3706, 3802, 3806	B-2
2505, 3001, 3307, 3505, 3601, 3701, 3803	C-1
2506, 3002, 3308, 3506, 3602, 3702, 3804	C-2
2801, 2805, 2807, 2901, 2905, 2907, 3101, 3103, 3107, 3201, 3205, 3207, 3401, 3403, 3407	D-1
2802, 2806, 2808, 2902, 2906, 2908, 3102, 3104, 3108, 3202, 3206, 3208, 3402, 3404, 3408	D-2
2803, 2903, 3105, 3203, 3405	E-1
2804, 2904, 3106, 3204, 3406	E-2
3305, 3603, 3703	H-1



Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "B"

DESCRIPTION OF BUILDINGS

Residential Buildings:

The residential buildings in the Project are designated herein and on the Condominium Map as Buildings 24 through 38, inclusive. Each building contains a total of eight apartments, four (4) apartments on the first floor and four (4) apartments on the second floor.

Non-Residential Building:

The non-residential building is designated herein and on the Condominium Map as the Recreation/Maintenance Building.

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "C"

BOUNDARIES OF EACH APARTMENT

The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, supports, roofs, skylights and ceilings located within or at the perimeter of or surrounding such apartment, any pipes, wires, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes, air exhaust or air conditioning running through or otherwise located within such apartment which are utilized for or serve more than one apartment and any mechanical, electrical and air conditioning equipment originally installed and located within such apartment utilized for or serving more than one apartment, all of which are deemed common elements as hereinafter provided. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls, the inner decorated or finished surfaces of all walls, floors, roofs and ceilings (other than skylights); all glass windows (other than skylights), window frames (other than skylight frames), louvers, shutters (if any), panels, doors and door frames along its perimeter; any mechanical, electrical and air conditioning equipment originally installed and located within such apartment utilized for or serving only such apartment; the lanai shown on the Condominium Map to the inner decorated or finished surfaces of the exterior perimeter walls of such lanai and to the exterior edge of the exterior railings of such lanai; and all of the fixtures and appliances originally installed therein, including the carpets, refrigerator, dishwasher, range, oven, microwave oven, garbage disposal, washer, dryer, ceiling fan, sinks and bathroom fixtures originally installed therein.

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "D"

PERMITTED ALTERATIONS TO APARTMENTS

Paragraph 19 of the Declaration states:

(a) Except as otherwise provided in the Declaration, repair, replacement or restoration of the Project or of any building, swimming pool, spa, Recreation Facility Building or other facility or construction of any additional building or structural alteration or addition to any structure, different in any material respect from said Condominium Map of the Project, shall be undertaken by the Association or any apartment owners only pursuant to an amendment of this Declaration, duly executed by or pursuant to the affirmative vote of seventy-five percent (75%) of the apartment owners and consented to in writing by the holders of all liens affecting any of the apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Board of Directors of the Association and the Architectural Committee of the Wailea Community Association established pursuant to the Declaration of Covenants and Restrictions described in Section 20 of the Declaration, and promptly upon completion of such replacement, restoration or construction, the Association shall record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that notwithstanding any other provision in the Declaration to the contrary, the owner of any apartment may make any alterations or additions within any apartment and the owner of any two or more apartments separated by a common element which is a wall may alter or remove all or portions of the intervening wall, if the structural integrity of the building is not thereby affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. Such alterations or additions within any apartment or apartments shall require only the written approval thereof, including the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Maui if such agencies so require, by the Board of Directors of the Association (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors of the Association), and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions and any entry to hallways sealed, the owner of such apartments shall be obligated to restore such intervening wall and hallway entries to

substantially the same condition in which the same existed prior to such alteration or removal.

(b) Notwithstanding any other provision in the Declaration or the By-Laws to the contrary, prior to (1) the time that all apartments in the Project have been sold and recorded, and (2) the filing by the Developer of the as-built verified statement (with plans, if applicable) required by Section 514A-12 of the Condominium Property Act (but in no event later than January 1, 2003), the Developer shall have the right to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which alterations (A) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and any limited common elements appurtenant thereto) in the Project which is not sold and recorded; or (B) make minor changes in any apartment in the Project or in the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in paragraph (c) of Section 21 of the Declaration. As used herein, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, of apartment deeds or other conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "E"

COMMON ELEMENTS

The common elements consist of all portions of the Project other than the apartments, including specifically, but not limited to:

- (1) The Land in fee simple;
- (2) The foundations, columns, girders, beams, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, exterior skylights, stairways, elevators, walkways, corridors, ramps, fences (if any), trellises, store rooms (which are not within or exclusively appurtenant to any apartment) and mail boxes (which are not within any apartment), mechanical rooms, entrances, entry ways and exits of all buildings of the Project;
- (3) All yards, grounds, planting areas, planters, walkways, walkway railings, landscaping, pond areas, refuse facilities, gardens, the swimming pool, the jacuzzi spa, the Recreation/Maintenance Building, the putting green and all other recreational facilities and appurtenances;
- (4) All roads, driveways, driveway ramps and parking areas;
- (5) All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, telephone equipment, pipes, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, water, gas (if any), cablevision (if any), air conditioning, sewer, refuse, telephone, and radio and television signal distribution;
- (6) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;
- (7) All mechanical, electrical and air conditioning equipment originally installed and located within any apartment or located elsewhere in the Project utilized for or serving more than one apartment;
- (8) The seventy-eight (78) regular-size and forty-two (42) compact-size uncovered parking stalls, all as shown on the Condominium Map, which are hereinafter designated as limited common elements;

(9) The eighteen (18) compact-size and one hundred two (102) regular-size uncovered parking stalls, which are unassigned parking stalls, all as shown on the Condominium Map, for use of apartment owners, tenants and guests, the resident manager, Managing Agent and other employees of the Association;

(10) Any and all other apparatus and installation of common use and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use.

Supplementary Final Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "F"

PERCENTAGE COMMON INTEREST APPURTENANT  
TO APARTMENTS IN PROJECT

<u>Floor Plan Type</u>	<u>Common Interest Per Unit</u>	<u>Total No.</u>	<u>Common Interest (Category)</u>
A-1	0.737748	4	2.950992
AA-1	0.737747	6	4.426482
A-2	0.646947	4	2.587788
AA-2	0.646947	6	3.881682
B-1	0.822625	20	16.452500
B-2	0.731825	23	16.831975
C-1	0.786601	7	5.506207
C-2	0.749097	7	5.243679
D-1	0.981524	15	14.722860
D-2	0.924281	15	13.864215
E-1	1.137957	5	5.689785
E-2	1.074792	5	5.373960
H-1	0.822625	3	2.467875

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "G"

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Easements "91", "92" and "93" as shown on Maps 21 and 26, as set forth by Land Court Order No. 50723, filed July 25, 1978.
3. Easement "145" (1.716 acres), for drainage, landscaping and pedestrian access and walkway purposes, as shown on Map 26, as set forth by Land Court Order No. 54945, filed November 8, 1979, subject to surface water drainage in favor of Lot 98, as set forth in Grant of Easements, filed as Land Court Document No. 1059806.
4. Easement "146" (1.222 acres), for drainage, landscaping, pedestrian access and walkway purposes, as shown on Map 26, as set forth by Land Court Order No. 54945, filed November 8, 1979.
5. Easement "224", for electrical purposes, as shown on Map 39, as set forth by Land Court Order No. 63306, filed July 26, 1982.
6. Restrictions, limitations and conditions as set forth by Grant of Easements dated ---, (acknowledged March 18, 1981), filed as Land Court Document No. 1059806.
7. Grant dated February 10, 1983, filed as Document No. 1155589, in favor of Maui Electric Company, Limited; granting an easement over said Easement "224".
8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration dated December 19, 1986, filed as Land Court Document No. 1427923.  
  
Additional Declaration of Covenants and Restrictions dated as of September 15, 1989, filed as Land Court Document No. 1669325. Consent thereto given by instrument dated September 15, 1989, filed as Land Court Document No. 1669327.
9. Designation of Easement "306" for sewer purposes, as shown on Map 55, as set forth by Land Court Order No. 90592.
10. Certification of Long-Term Residential Use dated December 29, 1990, recorded as Document No. 91-001765, by The Palms at Wailea II, a Hawaii Limited Partnership.
11. NOTICE dated November 7, 1990, recorded as Document No. 91-001768; re: Kihei Wastewater Treatment Capacity.



12. Certification of Long Term Residential Use dated December 29, 1990, filed as Document No. 91-004301.

13. Grant to Maui Electric Company, Limited and GTE Hawaiian Telephone Company Incorporated dated February 4, 1991, filed as Document No. 1805194.

14. Agreement dated August 7, 1991, recorded as Document No. 91-135281, by and between The Palms at Wailea Venture II, "Developer", and the County of Maui, through its Department of Public Works, "Department"; re Developer agrees to participate in the upgrading of Wastewater Pump Station(s) 6, 7 and 8, which are presently inadequate, etc.

15. Mortgage, Security Agreement and Financing Statement dated October 23, 1989, filed as Land Court Document No. 1684382, made by THE PALMS AT WAILEA VENTURE II, a Hawaii limited partnership, to (a) THE MITSUI TRUST & BANKING COMPANY, a corporation formed under the laws of Japan and acting through its Los Angeles Agency, and (b) SANSHIN (U.S.A.) INC., a Delaware corporation.

Consent to Mortgage dated of September 15, 1989, filed as Document No. 1684383, by and among Wailea Resort Company, Ltd., a Hawaii corporation, The Mitsui Trust & Banking Co., Ltd., a corporation formed under the laws of Japan and acting through its Los Angeles Agency, Sanchin (U.S.A.) Inc., a Delaware corporation, and The Palms at Wailea Venture II, a Hawaii limited partnership.

By Agreement dated March 26, 1993, filed as Land Court Document No. 2011542, recorded as Document No. 93-051981, The Palms at Wailea Venture II assigns to The Mitsui Trust & Banking Co., Ltd., and Sanshin (U.S.A.) Inc., all of the right, title and interest in and to that certain Escrow Account Agreement dated April 30, 1991, etc., to secure the payment of said Mortgage filed as Land Court Document No. 1684382.

16. Assignment of Landlord's interest dated October 23, 1989, recorded in Liber 23899, Page 766, made by The Palms at Wailea Venture II, a Hawaii limited partnership, assigning to The Mitsui Trust & Banking Co., Ltd. and Sanshin (U.S.A.) Inc., all of the right, title and interest under any and all tenant leases now or hereafter made covering all or any part of the property described herein, etc., as security for the payment of that certain Promissory Note of even date herewith to (a) The Mitsui Trust & Banking Co., Ltd., Los Angeles Agency, and (b) Sanshin (U.S.A.) Inc..

17. Sales Proceeds Agreement dated --- (acknowledged February 4, 1994, February 4, 1994, November 22, 1993, November 22, 1993, November 4, 1993, November 12, 1993 and February 4, 1994), recorded as Document No. 94-020543, re disbursement of 20% of funds from escrow account.

18. Second Sales Proceeds Agreement dated --- (acknowledged June 9, 1994, June 9, 1994, June 9, 1994, June 9, 1994, June 14, 1994, June 14, 1994 and June 13, 1994), recorded as Document No. 94-102933, re disbursement of 20% of funds from escrow account.

19. Any liens (or claim of lien) for services, labor or material arising from an improvement or work related to the land described herein.

20. Declaration submitting Project to the Condominium Property Regime dated April 18, 1991, filed as Document No. 1815194, as amended (Condominium Map No. 841).

21. By-Laws of the Association of Apartment Owners dated April 18, 1991, filed as Document No. 1815195.

Supplementary Public Report on  
The Palms at Wailea-Phase 2

EXHIBIT "H"

DISCLOSURE REGARDING INTERIOR PLASTER CRACKS

Apartments at The Palms at Wailea-Phase 2 have experienced some cracks in the interior veneer plaster. Generally, most of the cracking is classified as hairline cracks, which vary in length and frequency. The crack locations within the apartments are reasonably consistent and appear predominantly at the intersections of the interior walls, ceilings and soffits, and where differing substrate materials such as concrete masonry units (CMU), concrete, wood and metal, abut each other.

The Developer of the Project has retained Eugene A. Erwin of Wall/Ceiling Consulting, Inc. as a consultant to analyze the problem and make recommendations to correct it. His report dated March 12, 1993 entitled "Veneer Plaster Wall, Ceiling and Drop Ceiling Assemblies Cracking - Phase I and Phase II, The Palms at Wailea" is available at the request of any prospective purchaser.

The findings and recommendations in the Report are summarized below:

1. The primary cause of most of the cracking is that there are no joints allowing for expansion and contraction at the intersections of the walls, ceilings and soffit areas.

2. The lack of control joints where the CMU and concrete walls meet is a primary cause of cracking on the perimeter walls.

3. The following corrective action has been suggested:

- (a) Generally, in the areas where the CMU and concrete walls abut each other and where the interior walls, ceilings, soffits and beams intersect with each other, some form of expansion joint should be installed to allow for movement between the two surfaces. In most areas, saw cutting a straight line in the intersection of the two surfaces and filling the gap with a resilient sealant is the recommended solution.

- (b) Changing the tape and joint treatment on the drywall may also be necessary in certain areas, and

- (c) Adding venting to the space between the ceiling and the roof will help reduce stress.

Nothing in the report indicates that any of the plaster cracking problems stem from problems with the structural integrity of any of the buildings in the Project.

The Developer is working with the contractor and architect to achieve a satisfactory solution to the plaster cracking concerns. The remedial work contemplated by the Developer may cause some inconvenience to apartment owners, however, the cost of said remedial work will not be assessed against the Association of Apartment Owners or its members.

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "I"

SUMMARY OF DEVELOPER'S PLANS FOR FUTURE DEVELOPMENT

The rights of Developer are set forth in Section 22 of the Declaration and are generally as follows:

Merger of Project with Other Phases.

(a) The Developer (or its successor(s) and its assign(s)) shall have the right, in its sole and absolute discretion, to cause and effect a merger or mergers of the Project with one or more condominium projects located or to be located on land (or a portion or portions thereof) adjacent to the land of the Project, which adjacent land is described hereinbelow, consisting of up to a total of approximately two hundred fifty-one (251) additional apartments and common elements appurtenant thereto, as part of the same incremental plan of development of the Project. The Project described herein is "Phase 2" of a proposed three (3) phase project, as described in Section 22 of the Declaration, which may be developed in one or more phases, by the Developer or by its successor(s) or assign(s), all at the option of the Developer (or its successor(s) or assign(s)). The purpose of the merger provisions of Section 22 is to provide for a merger of any or all of the phases just as if the phases involved had been developed by the Developer (and possibly, by any successor(s) or assign(s)) as a single project. A merger may occur with respect to the Project with any one or more of the other phases, at the same or at different times, and merger with respect to any one or more of said phases shall not affect the right of the Developer (or its successor(s) or assigns(s)) to merge another phase or phases at a later date or dates, subject to all of the provisions of this Declaration. The two additional phases or increments which may be added are as follows:

(i) "Phase 1", consisting of up to approximately one hundred fifty-one (151) apartments (and common elements appurtenant thereto) and located on Lot 98 as shown on Map 26 of Land Court Application No. 1804 (Phase 1 has been created by Declaration of Condominium Property Regime dated June 29, 1989, filed as Document No. 1649066 and is known as "The Palms at Wailea";

(ii) "Phase 3", consisting of up to approximately one hundred (100) apartments (and common elements appurtenant thereto) and located or to be located on Lot 100 as shown on Map 26 of Land Court Application No. 1804;

(b) Requirements of Merger. Merger shall take effect with respect to a particular additional phase upon the happening

of all of the following conditions with respect thereto:

(i) Developer (or its successor(s) or assign(s)) shall have filed in the Office of the Assistant Registrar of the Land Court of Hawaii a declaration of condominium property regime and by-laws covering the additional phase in form substantially similar to this Declaration and the By-Laws (except, for example, for (i) the description of the land, (ii) the easements affecting the land, (iii) the number and description of the apartments, (iv) the description of the common elements and limited common elements, (v) the description of the buildings and other improvements, and (vi) the percentage of common interest appurtenant to each apartment) and a condominium map of said additional phase complying with the requirements of the Condominium Property Act;

(ii) The apartments and common elements described in the declaration of condominium property regime of the additional phase shall have been substantially constructed; and

(iii) Developer (or its successor(s) or assigns(s) as to the Project) and the Developer or its successor(s) or assign(s) (as to the additional phase) shall have filed in the Office of the Assistant Registrar of the Land Court of Hawaii a "Certificate of Merger" (it is understood that the Developer or its successors(s) or assign(s) may develop an additional phase). The Certificate of Mergers shall contain:

(aa) A certification that the foregoing conditions in subparagraphs (i) and (ii) above have been fulfilled;

(bb) A verified statement of a Hawaii registered architect or professional engineer certifying that the final plans theretofore filed fully and accurately depict the layout, location, apartment numbers and dimensions of the apartments of the additional phase as built;

(cc) A statement that merger with respect to the phases being merged is, by the filing thereof, being consummated;

(dd) A statement setting forth the common interest appurtenant to each apartment in the phases being merged, as completed and merged (the "Merged Project"); and

(ee) A statement that the Merged Project shall be known as "The Palms at Wailea".

(c) Limitation on Time for Merger. If the foregoing conditions have not been fulfilled by December 31, 2010, the right of Developer to effect any additional merger shall terminate automatically.

(d) The Consequences of Merger or consolidation are set forth in Section 22 of the Declaration.

(e) No Obligations Regarding Other Phases. Nothing in Section 22 of the Declaration as to merger shall be construed as a representation or warranty by Developer that any of the other phases will be developed or merged with the Project, or to require Developer (or any successor or assign) to develop any of the other phases or to merge any of the other phases into the Project, or to prohibit Developer (or any successor or assign) from dealing freely with the property described as aforesaid, including, without limitation, developing the whole or any part of such property for a purpose inconsistent with the merger of such property into the Project.

Supplementary Public Report on  
The Palms at Wailea-Phase 2

EXHIBIT "J"

SUMMARY OF SALES CONDOMINIUM RESERVATION AGREEMENT  
DEPOSIT RECEIPT AND CONTRACT

A Specimen Condominium Reservation, Deposit Receipt and Contract (the "Sales Agreement") has been submitted to the Real Estate Commission and is also available in the Sales Office of the Developer. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE RESERVATION AND SALES AGREEMENT IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Sales Agreement, among other things, covers in more detail the following items:

1. The Property to be conveyed to the Buyer includes the Apartment described in the Sales Agreement, together with an undivided interest (common interest) in the Project, which will be conveyed to the Buyer on the Closing Date by an Apartment Deed. (See subparagraph E.7(d).)

2. The Seller has the right to add Phase 1 and/or 3 to the Project, which would consist of up to an additional 151 units (Phase 1) and 100 units (Phase 3) and appurtenant common elements. Upon the addition of any new phase to the Project, the common interest appurtenant to each apartment in the Project would be altered as more specifically provided in the Declaration. (See paragraph E.14.)

3. The Buyer agrees that all of the rights of Buyer under the Sales Agreement are subject and subordinate to the lien of any mortgages securing loans made to finance the cost of construction and other costs of the Project, until the final closing and delivery of an Apartment Deed to the Buyer. THE PURCHASER INTENTIONALLY WAIVES, RELINQUISHES AND SUBORDINATES THE PRIORITY OF ANY INTEREST ARISING OUT OF THE SALES AGREEMENT TO THE LIENS AND SECURITY INTERESTS OF THE LOANS MADE TO FINANCE THE COST OF CONSTRUCTION AND OTHER COSTS OF THE PROJECT. (See subparagraph E.2(g)).

4. The Buyer represents that he is financially capable of making the payments required by the Sales Agreement. Seller may (but does not have to) cancel the Sales Agreement if any material negative change occurs in the Buyer's financial condition or any material negative discrepancy is discovered between the financial information furnished by the Buyer and the Buyer's actual financial condition. The Sales Agreement shall be cancelled (a) if the Buyer has not obtained and delivered to Seller an executed copy of a mortgage loan commitment acceptable to Seller (in Seller's sole discretion) within thirty (30) days after the effective date of the Sales Agreement (or within forty-five (45) days if Buyer is not a Hawaii resident), or such longer period of time permitted by the Seller, or (b) if the Buyer plans to pay the purchase price in cash and if Seller is not satisfied



for any reason with the Buyer's ability to make the cash payments. Seller may also cancel (but does not have to) the Sales Agreement if the Buyer should die. (See subparagraph E.3(a) and paragraph E.13).

5. If the development and construction of the Project is at any time delayed due to any governmental restrictions or regulations enacted after the date of acceptance of the Sales Agreement by the Seller, or by the occurrence of any contingency, the non-occurrence of which was a basic assumption on which the Sales Agreement was made, and if Seller determines that increases in the development and construction costs because of such delay require increases in the sales prices of apartments to maintain financial feasibility of the Project, then and in any such event Seller may increase the Total Purchase Price of the Property only to the extent necessitated by said increases in development and construction costs and Seller shall notify Buyer in writing of any such increases in the Total Purchase Price. If the Buyer, within fifteen (15) days after receiving such written notice from Seller, agrees in writing to pay the increased purchase price which Seller decides is enough to make the Project economically feasible, or within such fifteen (15) days buyer does not notify Seller in writing that Buyer elects to cancel the Sales Agreement, then the Sales Agreement will be deemed to be affirmed at the increased Total Purchase Price. (See paragraph E.2(o)).

6. The Buyer acknowledges having had full opportunity to read and review, and approves all documents, plans and specifications relating to the Project. The Seller has the right to change such documents in certain respects, as more fully provided in paragraph E.2(h) of the Sales Agreement and the Declaration:

Seller reserves the right to modify the Declaration, By-Laws, the Condominium Map, the form of Apartment Deed and other documents as may be required by law, any title insurance company, any institutional mortgagee or governmental agency or as otherwise may be deemed necessary by Seller, in its sole discretion, at any time prior to the conveyance of first apartment therein to any person other than the Seller to make and specifically approves all changes to said documents and the Project, provided that no such modification shall:

(i) Increase Buyer's share of common expenses without his consent; or

(ii) Reduce the obligations of Seller for common expenses on unsold apartments; or

(iii) Require a substantial physical change of the Apartment or of the building in which the Apartment is located.

7. The Seller MAKES NO WARRANTIES OF ANY KIND with respect to any aspect of the Project, but agrees only to attempt to pass on to the Buyer the benefit of any applicable contractor's warranty or manufacturer's or dealer's warranties. (See subparagraph E.6 and page 16 of the Final Public Report).

8. Any rental or other disposition of the Apartment is the sole responsibility of the Buyer. The Buyer acknowledges that Seller is not offering directly or indirectly a rental pool within the Project in which there is a "pooling" or sharing of expenses or income among apartment owners in the Project; that Seller has not made any representations as to the feasibility of renting the apartment or otherwise deriving any economic benefit therefrom; and that the Seller has not made any representations regarding tax benefits to be derived from apartment rental or tax treatment of any apartment purchaser. (See subparagraph E.2(n) and subparagraph E.6(a)).

9. Seller agrees to complete construction of the Apartment, the Building in which the Apartment is located, and certain amenities of the Project so as to permit usual occupancy within two (2) years after the date the Sales Agreement is executed by the Buyer, subject to certain limited exceptions. (See subparagraph E.2(h)).

10. If the Sales Agreement is accepted by the Seller more than seventy-five (75) days prior to the estimated Occupancy (which shall be the date when the Maui Building Department or an inspecting architect or engineer for the Project certifies that the Apartment is ready for occupancy), the Date of Closing shall be five (5) days after such date of Occupancy; otherwise the Date of Closing shall be seventy-five (75) days after Seller's acceptance of the Sales Contract. Seller may postpone the scheduled closing date for up to ninety (90) additional days. In order to avoid any delays in closing, if the Seller accepts the Sales Agreement more than one hundred twenty (120) days before the Estimated Date of Occupancy, then the Buyer agrees to have a "pre-closing" at which time all documents required for closing are to be deposited with escrow. Such preclosing which may occur at any time within forty-five (45) days prior to Estimated Closing Date. Such funds shall be paid in cash or by certified check drawn on a financial institution having its principal office in Honolulu, Hawaii. A late charge of one percent (1%) per month is payable on all sums not paid by Buyer when due. The Buyer must pay all of the escrow fees, its own notary fees, any

appraisal fees, credit report, mortgage costs and closing fees, title insurance costs, and all document drafting costs, including the Apartment Deed, and all mail and other delivery charges. (See subparagraphs E.7 (a), (b) and (c)).

11. In the event of default by the Buyer under the Sales Agreement, the Seller may cancel the Sales Agreement and retain all amounts theretofore paid by Buyer as LIQUIDATED DAMAGES. Seller may also sue for damages, specific performance, and may pursue any other remedy permitted. If the Seller defaults, the Buyer is entitled to specific performance of the Agreement, or may cancel and terminate the Agreement. The sole and exclusive remedy of the Buyer is against the Seller and its assets, and not against any of the constituent partners of the Seller. (See paragraph E.11).

12. Buyer further acknowledges that construction activity within the Project may continue after Buyer occupies the Apartment, and that the Project is located within a resort area in which there may be continuing and ongoing development, all of which may result in noise, dust and other annoyances. Buyer agrees to suffer and permit all such activities. (See subparagraph E.2(f)).

13. Seller intends to offer apartments in the Project principally within the State of Hawaii and in Japan. The Sales Agreements offered in Japan ("Japan Contract") will vary slightly from those Sales Agreements offered within the State of Hawaii ("Hawaii Contract"). The only material changes are as follows:

(a) The Japan Contract calls for three (3) installment payments, rather than four (4). Payment B under the Hawaii Contract, which is to be made thirty (30) days after Payment A, is omitted from the Japan contract;

(b) Under the Japan Contract, all accrued interest belongs to Seller; under the Hawaii Contract, there is no interest on Payment A and the interest accruing on Payment B will be for the benefit of the Buyer until the date when Payment C is required to be paid by Buyer. Thereafter, all interest will belong to the Seller;

Supplementary Public Report on  
The Palms at Wailea-Phase 2

EXHIBIT "K"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and Title Guaranty Escrow Services, Inc..

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to the Escrow Agent.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised his right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A purchaser has exercised his right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow Agent shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow Agent shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

(a) the Real Estate Commission has issued a final public report (the "Final Report") on the Project;

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39, 514A-62 and 514A-63 of the Hawaii Revised Statutes, then applicable to the Project, have been satisfied and if the project is a conversion project, that the requirement of Section 514A-38 have been met.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;

(d) purchaser's Conveyance Document has been recorded or filed for record; and

(e) Escrow has received evidence (such as title insurance) satisfactory to Escrow that forty-six (46) days have elapsed since the filing of the affidavit of publication of the Notice of Completion, or all mechanics' and materialmen's liens have been cleared or there are sufficient funds available to cover any such liens that may be filed.

4. Purchaser's Default. Seller must notify Escrow in writing if Buyer defaults, and must certify that Seller has cancelled the Purchaser's Sales Contract. After such cancellation Escrow will treat the Purchaser's funds less Escrow's cancellation fees as belonging to the Seller.

Supplementary Public Report on  
The Palms at Wailea-Phase 2

EXHIBIT "L"

Wailea Restriction Covenants

Title to the Apartment will be transferred to Buyer subject to that certain Wailea Community Association Declaration of Covenants and Restrictions dated December 19, 1986, filed as Land Court Document No. 1427923, as amended and supplemented (the "Wailea Declaration") and that certain "Additional Declaration of Covenants and Restrictions" ("Additional Declarations") dated as of September 15, 1989, and filed as aforesaid as Document No. 1669325. The Wailea Declaration provides, among other things, that the Buyer automatically and without further action on its part, becomes a member of the Wailea Community Association, a Hawaii non-profit corporation, upon issuance of the Apartment Deed to Buyer, and that the Buyer shall pay assessments to the Wailea Community Association for the operating costs, expenses and obligations of the Association, including without limitation, the costs of management, operation, control and maintenance of all "Common Property" described in the Wailea Declaration. Apartment owners in the Project shall also be entitled to votes in the Wailea Community Association, the number of votes being based on the number of bedrooms in an Apartment in the Project owned by them. The Additional Declaration provides, among other things, for use and development restrictions for the Project and reserves the right to Wailea Development Company, Inc. to grant certain easements without the consent of apartment owners in the Project.

Supplementary Public Report  
The Palms at Wailea-Phase 2

EXHIBIT "M"

DISCLOSURE ABSTRACT

1. (a) PROJECT: The Palms at Wailea-Phase 2  
3150 Wailea Alanui Drive  
Wailea, Maui, State of Hawaii
- (b) DEVELOPER: The Palms at Wailea Venture II  
841 Bishop Street, Suite 2300  
Honolulu, Hawaii 96813  
Telephone: (808) 539-9600
- (c) MANAGING  
AGENT: Hawaiiana Management Company
2. Breakdown of annual maintenance fees and monthly estimate costs for each unit (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).
3. DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS: All warranties have expired.
4. USE OF UNITS. The Palms at Wailea-Phase 2 Condominium Project will consist of 120 residential units. The apartments shall be occupied and used only for permanent or temporary residential purposes but subject to the zoning ordinances of the County of Maui (which as of the date hereof require "long term residential use" which is defined as occupancy by either the apartment owner or his lessee for a term of six (6) months or more). The residential apartments shall not be used as time share units as defined in Chapter 514E, Hawaii Revised Statutes, as amended. The Recreation/Maintenance Building may be used for recreational, office (including the sale of "Logo" and other sundry items) and for storage in connection with the management and operation of the Project. Seller has entered into a Certification of Long Term Residential Use which is binding on all apartment owners. A copy of such Certification is attached as Exhibit "2" hereto.

An apartment owner shall otherwise have the absolute right to sell, rent, lease or otherwise transfer his respective apartment in connection with any such occupancy or use for any length of time subject to the provisions of this Declaration and any applicable covenant, restriction or house rule and the zoning ordinance of the County of Maui. The Developer will not sponsor, promote or establish any rental pool within the Project in which there is a "pooling" or sharing of

expenses and income among owners of apartments in the Project. If an apartment owner desires to make an arrangement for rental or occupancy of his apartment, then the owner must make such arrangement without the involvement or participation of the Developer. THE DEVELOPER HAS NOT AUTHORIZED ANY AGENT, SALESMAN OR BROKER TO MAKE ANY REPRESENTATIONS AS TO RENTAL OR OTHER INCOME FROM ANY APARTMENT OR AS TO ANY OTHER ECONOMIC BENEFIT, INCLUDING POSSIBLE ADVANTAGES FROM THE OWNERSHIP OF AN APARTMENT UNDER FEDERAL OR STATE TAX LAWS TO BE DERIVED FROM THE PURCHASE OF AN APARTMENT IN THE PROJECT. Until the Developer closes the sales of all the apartments in the Project, no apartment owner shall enter into any agreement with any apartment owner, purchaser, or lessee of another apartment in the Project or any other third party in which an apartment owner agrees to share rental income from apartments in the Project.



ESTIMATED OPERATING EXPENSES

For Period January 1, 1995 to December 31, 1995  
As Prepared by Developer

Estimated Annual Expenses

SEE ATTACHED EXHIBIT "1"

**Note:** The Developer has reserved the right to merge this Project with one or more condominium projects located or to be located on land (or a portion or portions thereof) adjacent to the land of the Project.

The Developer certifies that the maintenance fees and costs as estimated by the Developer are based on generally accepted accounting principles.

THE PALMS AT WAILEA VENTURE II, a  
Hawaii Limited Partnership

By Its General Partner

THE BEAM PALMS II VENTURE,  
a Hawaii general partnership

By Its General Partner

MCCORMACK PALMS II, LTD.,  
a Hawaii corporation

By *Laina P. Tamura*  
Its Treasurer

"Developer"

EXHIBIT "1"  
THE PALMS AT WAILEA- PHASE 2

Estimated Monthly Common Expenses

RECEIPTS

Maintenance Fees	\$ 59,325
Interest from Investments	100
Other Taxable Receipts	<u>100</u>
TOTAL RECEIPTS	\$ 59,525

DISBURSEMENTS

Utilities

Electricity	2,400
Water	4,800
Sewer	1,050
Telephone	100
Cable TV	<u>1525</u>
	\$ 9,875

Building Maintenance

Building	800
Contract Security	3,850
Equipment	200
Grounds	15,000
Lighting	100
Pool/Rec Center	1200
Pest Control	300
Pump and Ventilation	750
Refuse	<u>1450</u>
	\$ 23,650

Administration

Vehicle Expense	50
Supplies & Services	360
Legal & Audit	250
Management Services	<u>2,400</u>
	\$ 3,060

Payroll and Benefits

Payroll- Manager	1,600
Payroll- Maintenance	2,000
Payroll - Maintenance/Cleaning	1,500

The Palms at Wailea - Phase 2  
Estimated Monthly Common Expenses  
page 2

Workers Compensation	\$ 510
TDI	25
Health Care	600
Payroll- Taxes	765
Rent- Apartment	<u>1,200</u>
	\$ 8,200
<u>Other</u>	
Telephone Lease	1,670
Miscellaneous	350
Office Supplies	200
Taxes: Gross Income	20
Insurance	<u>7,500</u>
	\$ 9,740
 TOTAL DISBURSEMENTS	 \$ 54,525
 <u>RESERVE TRANSFERS</u>	
Replacement Reserves	\$ 5,000
 TOTAL DISBURSEMENTS & RESERVE TRANSFERS	 \$ 59,525
 NET SURPLUS	 -0-

## The Palms at Wailea - Phase 2 - Maintenance Fee Schedule

Type	Percent Interest	#	Living Area	Lanai Area	Total Area	Floor Area	Category Percentage	Maintenance Fee	Category Total
A-1	0.7377	4	1022	473	1495	5980	2.950992	437.67	1750.68
AA-1	0.7377	6	1032	473	1505	9030	4.426482	437.67	2626.01
A-2	0.6469	4	1022	289	1311	5244	2.587788	383.80	1535.21
AA-2	0.6469	6	1032	289	1321	7926	3.881682	383.80	2302.81
B-1	0.8226	20	1194	473	1667	33340	16.4525	488.02	9760.45
B-2	0.7318	23	1194	289	1483	34109	16.831975	434.16	9985.57
C-1	0.7866	7	1242	352	1594	11158	5.506207	466.65	3266.56
C-2	0.7491	7	1299	219	1518	10626	5.243679	444.40	3110.81
D-1	0.9815	15	1559	430	1989	29835	14.72286	582.29	8734.34
D-2	0.9243	15	1559	314	1873	28095	13.864215	548.33	8224.95
E-1	1.138	5	1692	614	2306	11530	5.689785	675.09	3375.46
E-2	1.0748	5	1699	479	2178	10890	5.37396	637.62	3188.10
H-1	0.8226	3	1194	473	1667	5001	2.467875	488.02	1464.07
		120				202764	100		59325.00

EXHIBIT "N"

RECEIVED

FEB 1 1991

PALMS AT WAILEA

JAN 1 1991 8:04  
91-004301

LAND COURT

REGULAR SYSTEM

AFTER RECORDATION, RETURN BY: MAIL (x) PICK UP ( )  
Land Use and Codes Administration  
Department of Public Works  
County of Maui  
250 South High Street  
Wailuku, Maui, Hawaii 96793

TRK NO. 2-1-8183

CERTIFICATION OF LONG-TERM RESIDENTIAL USE

1. The undersigned hereby certifies that he/she/it they will:
  - a. ☐ be the owner-occupant(s) of the residential structure for which Building Permit No. \_\_\_\_\_ is issued for a term of six months or more.
  - b. ☐ lease ☐ rent ☒ sell  
the residential unit for which Building Permit No. 91/0016 - 0017 is issued to persons(s) who will be owner/occupant(s) or lessee(s)/renter(s) under a lease or rental agreement with a term of six months or more.
2. The undersigned further certifies the same shall furnish a copy of this certification to each lessee/renter/purchaser.

DATED: Honolulu, Hawaii, December 29, 1990  
(city) (date)

OWNER-OCCUPANT(S):

OWNER/DEVELOPER:

THE PALMS AT WAILEA II  
A Hawaii Limited Partnership

By Its General Partner:  
THE BEAM PALMS II VENTURE  
A Hawaii General Partnership

By Its Managing Partner  
McCORMACK PALMS II, LTD., a Hawaii Corporation

By \_\_\_\_\_  
name:  
its

By \_\_\_\_\_

BY: *W. H. P.*

STATE OF HAWAII )  
 ) SS.  
CITY AND COUNTY OF HONOLULU )

On this 29th day of December, 1990, before me appeared Michael T. McCormack, to me personally known, who being by me duly sworn, did say that he is the President of McCORMACK PALMS II, LTD., a Hawaii corporation, one of the general partners of BEAM PALMS II VENTURE, a Hawaii general partnership, the general partner of THE PALMS AT WAILEA II, a Hawaii limited partnership; that said instrument was signed in behalf of said corporation by authority of its Board of Directors as general partner of BEAM PALMS II VENTURE, as general partner of THE PALMS AT WAILEA II, and said Michael T. McCormack acknowledged said instrument to be the free act and deed of said corporation and said partnerships.

Theresa Jean S. Jernstedt  
Notary Public,  
State of Hawaii  
My Commission expires: 9-12-93